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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

FREE SPEECH SYSTEMS LLC, ) CASE NO: 22-60043-cml  
) Houston, Texas  
)  
Debtor. ) Monday, November 27, 2023  
) 2:02 PM to 4:48 PM  
-----)  
) CASE NO: 22-33553-cml  
ALEXANDER E. JONES, )  
)  
Debtor. )  
-----)

TRIAL

BEFORE THE HONORABLE CHRISTOPHER M. LOPEZ  
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

For Free Speech Systems and Alex Jones: **RAYMOND BATTAGLIA**  
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For Alex E. Jones: **VICKIE L. DRIVER**  
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12 For Connecticut **KYLE J. KIMPLER**  
13 Plaintiffs: Paul, Weiss, Rifkind, Wharton &  
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15 Also Present **ALEX E. JONES**  
16 **PATRICK MCGILL**  
17 **ALINOR STERLING**  
**RYAN CHAPPLE**  
**ROBERT SCHLEIZER**

18 Court Reporter: UNKNOWN

19 Courtroom Deputy: UNKNOWN

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22  
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25

1 know, they're still discussing, but they're -- will be back  
2 in here shortly.

3 THE COURT: Okay. No worries. I'm just going to  
4 sign the order. I'm completely fine. Working on the  
5 rejection order, so we're all good. Just give me one  
6 minute.

7 Okay, why don't somebody tell me where we are?

8 MR. BATTAGLIA: I think the mutual Debtors'  
9 decision is to ask the Court to approve the rate of pay in  
10 the cash collateral order and to present evidence.

11 THE COURT: Okay. Let's go.

12 MR. BATTAGLIA: And so I would call Patrick  
13 Magill.

14 THE COURT: Okay. Magill, can you please raise  
15 your right hand? Do you swear to tell the truth, the whole  
16 truth, and nothing but the truth?

17 THE WITNESS: I do.

18 THE COURT: Okay. Please be seated and I will let  
19 the record reflect that the witness has been duly sworn in.

20 DIRECT EXAMINATION OF PATRICK MAGILL

21 BY MR. BATTAGLIA:

22 Q Good afternoon, Mr. Magill. Can you tell the Court  
23 what your role is in this case?

24 A Chief restructuring officer of Free Speech Systems.

25 Q And what are your duties in that connection?

1 A I manage the bankruptcy process and I am -- run the  
2 business. I'm chief operating officer of the business.

3 Q What is your role in connection with the compensation  
4 of employees?

5 A Day-to-day operations include the review of all  
6 expenses including salaries and duties.

7 Q Have you, outside of Free Speech Systems, been a CRO or  
8 a CEO of other businesses?

9 A Yes.

10 Q And have you had experience in that capacity in the  
11 retention and compensation of employees?

12 A Yes.

13 Q How many employees have you managed, would you say,  
14 over the last dozen years or so?

15 A A thousand.

16 Q You're familiar with what Mr. Jones' role is with Free  
17 Speech Systems, are you not?

18 A Yes.

19 Q Can you tell the Court how important he is to the  
20 operations of Free Speech Systems?

21 A He's in a role -- without Alex Jones in Free Speech  
22 Systems, there is no Free Speech Systems. So he is the one  
23 individual in the company that's indispensable.

24 Q And have you conducted an analysis of gross revenue  
25 generated by the business when Mr. Jones is not on the air?

1 A Yes.

2 Q And what has your analysis concluded?

3 A When Alex is not in the studio on the air, we suffer  
4 about a 40 percent reduction in revenues day-to-day.

5 Q And that's on short term or long term?

6 A It really doesn't matter. It's usually long term. If  
7 he's gone for a week to ten days, let's say he's on  
8 vacation, there's a significant reduction in revenues.

9 Q Do you know what Mr. Jones's compensation historically  
10 has been from Free Speech Systems?

11 A It usually has run on a salary basis. It runs in the  
12 600 range. In the profit sharing, as he was experiencing  
13 when he was not in bankruptcy, several million dollars a  
14 year. It's ranged on the low end, you know, \$4 million  
15 total compensation. I believe there was one year where he  
16 had about an \$8 million compensation.

17 Q Is it extraordinary for a small business owner to take  
18 compensation in multiple forms?

19 A No, it's very common for any -- someone, particularly  
20 for tax purposes, to take a salary, a reasonably modest  
21 salary for pick up purposes and then to take bonuses or  
22 profit share at the end of the year or during the year.

23 Q What's --

24 A It's very common.

25 Q What's Mr. Jones's current rate of -- prior to

1 November, rate of pay?

2 A Prior to November --

3 Q 2023.

4 A -- 2023, I believe he was making roughly \$540,000 a  
5 year, 560, something in that range.

6 Q \$20,000 a pay --

7 A \$20,000 biweekly.

8 Q And do you know how that number came to be?

9 A I really don't. That was set about the time that I  
10 showed up in October, so that was basically the pay that he  
11 had when I arrived.

12 Q Do you believe that's an appropriate rate of  
13 compensation?

14 A No.

15 Q Why not?

16 A I believe it's too low. I mean, the pay represents a  
17 small amount relative to the revenues that is generated 100  
18 -- virtually 100 percent of all the revenues of Free Speech  
19 is a direct relation shift to Alex's effort. So, we  
20 estimate this year we'll do about \$30 million in revenue.  
21 So, our -- my position was at the time that that was  
22 significantly lower than it should have been. And taking  
23 into consideration his gross compensation in years past, it  
24 was a fraction of what he used to make.

25 Q How many hosts are there for the broadcast on Infowars?

1 A There are three.

2 Q And who are they?

3 A They're Harrison Schmidt and Owen Shroyer.

4 Q And Mr. Jones?

5 A And Mr. Jones.

6 Q Mr. Shroyer been broadcasting for the last 30 days?

7 A No. He has been a host of the federal government.

8 Q What effect has that had on the estate's ability to  
9 generate revenue?

10 A Well, let's put a crimp on us. We've had to do some  
11 substitute hosting. We've moved some people around. We  
12 have a pretty -- we run a pretty lean ship at Free Speech,  
13 so we have a pretty thin bench for talent like that. So  
14 we've managed to get by with two hosts and some substitute  
15 hosts.

16 Q But in terms of revenue, have you noticed a meaningful  
17 decline in revenue with Mr. Shroyer's absence?

18 A There has been some decline, yes.

19 Q With respect to current payroll, how are employees  
20 paid? In advance, in arrears?

21 A They're paid in arrears.

22 Q So if the Court were to approve the payment that's  
23 proposed in the cash collateral order, is that an inducement  
24 for Mr. Jones to stay?

25 A No.



1     you're saying, I'm going to triple how much I'm going to pay  
2     him every two weeks? That's your position here, because  
3     it's just the right thing to do. It has nothing to do with  
4     him --

5     A     It's good business.

6     Q     Why is it good business?

7     A     I've explained this to you. I'll try to do this again.  
8     when you have a staff and you have people that are working  
9     for you in this business, you need to make sure that you're  
10    not only competitive, you don't wait for people to threaten  
11    to leave or to leave. You're proactive in the way you do  
12    things. In the case of Alex Jones, it was very clear that  
13    this is a half a million dollars a year for a man who  
14    contributes 100 percent of the revenue of the business  
15    needed to have a pay adjustment. I do not wait until  
16    there's a fire alarm or somebody threatens to quit in order  
17    to be able to fix the problem. I try to fix the problem  
18    before it happens.

19    Q     Sir, you said he didn't need to pay adjustment earlier.  
20    You said it's very common for business owners to take a  
21    small salary and then get a percentage of the profits. That  
22    was very normal.

23    A     That was -- that's normal when you're not in  
24    bankruptcy, yes.

25    Q     It's also normal when you're not the owner of the